

FINAL BILL REPORT

SB 5607

C 90 L 07

Synopsis as Enacted

Brief Description: Modifying provisions regarding the leasehold excise taxation of historical property owned by the United States government.

Sponsors: Senator Pridemore.

Senate Committee on Ways & Means

House Committee on Finance

Background: All real and personal property is subject to property tax, unless a specific exemption is provided by law. Property owned by the United States, the State of Washington, counties, cities, and other local governments is exempt from property tax by the State Constitution.

The leasehold excise tax applies when persons or businesses use or lease publicly owned property. Because property tax is not levied on public property, leasehold excise tax is imposed in lieu of the property tax to ensure equity in taxation of all property.

The rate of leasehold excise tax is 12.84 percent. Cities and counties may levy a local leasehold excise tax on leasehold interests in public property within their jurisdictions at a rate up to a maximum of 6 percent, thus reducing the state rate on such property to 6.84 percent. The maximum city rate is 4 percent and it is credited against the county tax. Thus, the maximum county rate is 6 percent in unincorporated areas and 2 percent in cities which levy the maximum city rate. In general, the tax is measured by the contract rent (the amount paid for the use of the public property).

The Legislature has exempted a number of different types of leases from leasehold excise tax. One of these exemptions is for leases of historical property that is owned by a municipality, listed on federal or state historical registries, and is wholly contained within a national historic reserve. In 2006, the Legislature removed the requirement that such historical property must also be controlled by a public development authority to be exempt from leasehold excise tax.

Federal law has created a number of national historic reserves throughout the country. There are two national historic reserves located in Washington: Ebey's Landing on Whidbey Island and the Vancouver National Historic Reserve.

Summary: Leasehold interests in historic property that is owned by the United States government are also exempt from leasehold excise tax, if the property is listed on any federal or state register of historical sites, and is wholly contained within a national historic reserve.

Votes on Final Passage:

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| Senate | 48 | 0 |
| House | 96 | 0 |

Effective: July 22, 2007